

## Department of Planning and Budget 2003 Fiscal Impact Statement

**1. Bill Number** HB2801

**House of Origin**     ☒ Introduced     ☐ Substitute     ☐ Engrossed

**Second House**     ☐ In Committee     ☐ Substitute     ☐ Enrolled

**2. Patron**     Scott

**3. Committee**     Appropriations

**4. Title**     VA Public School Authority; School Construction Grant Act of 2003.

**5. Summary/Purpose:** This bill authorizes the Virginia Public School Authority to issue bonds to fund grants to localities in the total amount of \$950 million to pay the costs of school construction, school renovation, and other school infrastructure projects. The schedule for the issuance of the bonds and the payment of the debt service on them shall be as provided in the general appropriation act. The \$950 million in grants shall be distributed to localities according to the following formula: (i) one-half based on the proportion of sales and use tax revenue generated in each locality; and (ii) the remaining one-half based on a set per pupil amount, based on the latest actual adjusted average daily membership, and adjusted by the locality's composite index of ability to pay. In implementing this bill, the Virginia Public School Authority shall not incur more than a total of \$250 million in debt in any fiscal year.

**6. Significant Fiscal Impact (See Comments 8.)**

**7. Budget amendment necessary:** Yes. (See Comments 8.)

**8. Fiscal implications:** The proposed legislation does not designate a fund source for the debt service. Therefore, it is assumed that the general fund would be used to fund this program. The estimated annual cost of debt service (assuming \$250 million per year at 5.1 percent over 20 years) is \$20.6 million per issuance. A new general fund appropriation for debt service may be needed during the 2002 - 2004 biennium depending on when the debt is issued. Also, these bonds would represent tax supported debt of the Commonwealth, which would have a negative impact on debt capacity. A amendment is needed for a new Item 293.1 to establish the issuance schedule, identify the funding source and appropriate amounts for debt service.

In order to implement the provisions of this bill, the Department of Education would need one additional position, beginning in FY 2004. The salary and benefit cost of this position is estimated at \$70,000. (Amendment to Item 137.)

The Department of Treasury would need two additional positions to establish and operate this program, beginning in FY 2004. One position would be needed in the Debt Division and one done in the department's Trust Accounting Division. The salary, benefits, and startup costs for the Treasury positions are estimated at \$127,000. (Amendment to Item 290.)

**9. Specific agency or political subdivisions affected:** local school divisions, Department of Treasury, Virginia Public School Authority, Department of Education, Board of Education

**10. Technical amendment necessary:** No.

**11. Other comments:** HB 1758 and HB 2478 are similar bills. The only difference is that this proposes a \$950 million in bond proceeds, rather than \$1 billion.

**Date:** 01/26/03/acd

**Document:** H: \bos\k12\legislation\2003session\completed bills\HB2801.doc.

cc: Secretary of Education  
Secretary of Finance